

**ST. TAMMANY PARISH
GRAVITY DRAINAGE DISTRICT NO. 5**

**Financial Statements as of December 31, 2012
and for the Year then Ended
and Independent Auditors' Report**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date NOV 06 2013

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

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Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
St Tammany Parish Gravity Drainage District No 5
Covington, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of the St Tammany Parish Gravity Drainage District No 5 (the District), as of and for the year ended December 31, 2012, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the St Tammany Parish Gravity Drainage District No 5, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of compensation paid to the Board of commissioners on pages 3 through 7 and 23 and 24 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Silva Gurtner & Abney, LLC

May 30, 2013

As management of the St Tammany Parish Gravity Drainage District No 5 (the District), we offer readers of the District's financial statements this narrative and analysis of the financial activities of the District for the year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which can be found on pages 8 through 13 of this report.

Management's Discussion and Analysis (MD&A) is a required element of the reporting model adopted by the Governmental Accounting Standards Board in their Statement No 34. Its purpose is to provide an overview of the financial activities of the St Tammany Parish Gravity Drainage District No 5 (the District) based on currently known facts, decisions or conditions. Please read it in conjunction with the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year. Of this amount, \$202,889 was restricted for capital outlay for drainage projects, and \$454,178 was reserved for bond retirement.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The basic financial statements include government-wide and government fund statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The government-wide *Statement of Net Position* presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statements of Activities* presents information for all the activities of the District's office, from an economic resources measurement focus using the accrual basis of accounting. This statement presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements report functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include general government (administration and District operations), public safety (drainage), and drainage related to highways and streets.

The District is a component unit of the St. Tammany Parish Council. The accompanying financial statements only present information in the funds maintained by the District.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The primary difference between the government-wide statements and Governmental funds statements is that assets are capitalized and depreciated over their estimated useful life versus expensed in the Governmental funds statements and debt used in governmental activities are not financial uses and, therefore, are not reported in the Governmental funds statements. The District has only governmental-type funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources available at the end of the fiscal year*. Such information may be useful in evaluating a government's near-term financing requirements.

The District maintains three (3) different governmental funds: All funds are reported separately in the Governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances.

The *Balance Sheet – Governmental Funds* details the assets and liabilities of the governmental funds while the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position reflects the differences from the amounts reported in the Statement of Net Position.

The *Statement of Revenues, Expenditures and Changes in Fund Balance* reflects the current year receipt and disbursement of funds and the reconciliation statement reports the differences in the changes in fund balance to the change in net position of the Government activities.

The *Reconciliation Statements* (the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances) provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. In doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 21 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the St Tammany Parish Gravity Drainage District No 5's compliance with its adopted budget. The District adopts an annual appropriated budget for all its funds, and a budgetary comparison statement has been provided for its general fund. The differences between the adopted budget and the actual activities are reflected in the *Budgetary Comparison Schedule – General (Operating) Fund*, which can be found on page 23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of St Tammany Parish Gravity Drainage District No 5, assets and deferred outflows exceeded liabilities and deferred inflows by \$808,982 at the close of the most recent fiscal period.

The District's investment in capital assets (debt) related to capital assets was \$84,720 over the cost of the capital assets, net of accumulated depreciation. The District's capital assets as of December 31, 2012 consisted of land, land improvements and construction in progress. The component of net position restricted for capital drainage projects as of December 31, 2012 was \$202,889. Another \$454,178 of its net position was restricted for the retirement of bonds. The remaining \$67,195 had no restriction as of December 31, 2012.

The Governmental activities of the District increased due to the costs of construction, engineering, and permitting for drainage projects affecting the Covington Meadows area.

The District's ad valorem millage rate remained at 2 mils, and, its sinking fund's net asset balance increased from \$377,601 as of December 31, 2011 to \$454,178 at December 31, 2012.

Statement of Net Position and Statement of Activities

Our analysis of the funds maintained by the District as a whole begins on page 8. The Statement of Net Position and Statement of Activities report information about the funds maintained by the District as a whole and about its activities in a way which helps answer one of the most important questions asked about the District's finances: "Is the District, as a whole, better off or worse off as a result of the year's activities?" These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting used by most private sector companies. Accrual of the current year's revenue and expenses are taken into account regardless of when the cash was received or paid.

These two statements report the District's net position and the changes in it. This net position, the difference between the assets, deferred outflows, liabilities, and deferred inflows, is one way to measure the District's financial position of financial health and over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating.

We record the funds maintained by the District as governmental activities in the Statement of Net Position and Statement of Activities.

All of the expenditures paid from the funds maintained are reported here as governmental activities and consist primarily of fees paid, office expenses, construction contracts and the

purchase of marginal undeveloped land. Mandatory fees paid to the St. Tammany Parish by land developers finance the operating activities of the District. General obligation bonds finance the capital expenditures of the District. Property taxes collected within our district pay off the General Obligation Bonds.

Comparative Data – 2012 and 2011

• Assets

Cash on Hand: For the year ended December 31, 2012, the District had \$383,171 in cash on hand compared to \$492,118 a year ago. At December 31, 2012, the District had \$208,679 in cash on hand for construction work and \$5,403 on hand for operating costs. It also had \$169,089 in escrow for bond retirement; cash on hand for payment of the obligation bonds increased \$59,505 during the year ended December 31, 2012.

Capital Assets: For the year ended December 31, 2012 the District had \$1,438,835 in capital assets, (land, land improvements and construction-in-progress), compared to \$1,387,183 for the year ended December 31, 2011.

• Liabilities and Deferred Inflows

General Obligation Bonds: For the year ended December 31, 2012 the District had \$1,330,000 in debt obligations, compared to \$1,495,000 for the year ended December 31, 2011. A total of \$170,000 is due within the next 12 months, and \$1,160,000 is due beyond the next 12 months.

Current Operating Liabilities: For the year ended December 31, 2012, the District had operating liabilities for bookkeeping and professional services, and operational engineering costs. The largest liability was for engineering costs. The nature of liabilities does not significantly change from year to year.

• Net Position

The District had total Net Position of \$808,982 for the year ended December 31, 2012 compared to \$641,379 for the previous year. The debt related to the District's capital assets is discussed above (see Liabilities: General Obligations Bonds).

• Program Revenues

Drainage Study Reviews: For a fee, the District's engineers perform limited drainage review services for developers' projects within the District's boundaries. The fee collected for the drainage reviews defrays the cost of the engineer's review and adds a minimal surcharge to defray the District's operational costs associated with providing the drainage reviews. In 2012, the District performed five reviews for \$6,400; in 2011, it performed one review for \$1,000.

Interest: Other revenue to the District consisted of interest earned by our cash accounts. Interest earned on the General Obligation Debt escrow account is used to retire those Bonds; interest earned on the construction account is used for capital outlay; and interest earned on the operating account is used for operations. There has been no significant change in the amount of interest earned from the prior year, 2011.

• **General Revenues**

Ad Valorem Taxes The District received a total of \$296,876 in ad valorem taxes for the year ended December 31, 2012; compared to \$262,385 for 2011

• **Capital Expenditures**

Expenditures for capital projects generally consist of engineering fees, wetland permitting fees, legal fees and capital outlays for drainage projects. The District completed the Covington Meadows drainage improvements project in 2012. Construction-in-progress was related to the Hoffman Road drainage project which also affects Walnut Street, Carmel Road, Third Street, and Second Street. Capital expenditures increased from 2011 by \$3,872.

GENERAL AND BUDGETARY HIGHLIGHTS

Items that were budgeted for our General Fund included legal and professional fees, and some minor office type expenses and compensation to the Board Members. Ad valorem tax revenues are budgeted on a cash basis.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget developed for next year is based on the money remaining for capital projects and the ability of the District's engineer to prepare construction plans and documents. Most of such projects are known. The District also expects to purchase more land for use as detention ponds. Some projects are subject to review by the U.S. Army Corps of Engineers. In an effort to reduce costs, the current Board of Commissioners was not compensated during 2012.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide all those with an interest in the District's finances a general overview for the funds maintained by the District and to show the accountability for the money the District receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to either

Mr. Robert Bergeron, Chairman, or
Mr. Majure B. Savell, Secretary/Treasurer
St. Tammany Parish Gravity Drainage District No. 5
c/o Martin W. Gould, Jr.
P.O. Box 628
Covington, LA 70434

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 383,171
Due from other governmental agencies, net	<u>285,089</u>

Total current assets 674,260

NON-CURRENT ASSETS

Land and construction in progress	618,566
Other capital assets, net of accumulated depreciation	<u>820,269</u>

Total non-current assets 1,438,835

TOTAL ASSETS 2,113,095

DEFERRED OUTFLOWS

Debt service costs, net of accumulated amortization	50,002
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LIABILITIES

CURRENT LIABILITIES

Accounts and retainage payable	6,693
Accrued interest	17,423
Due within one year	<u>170,000</u>

Total current liabilities 194,116

NON-CURRENT LIABILITIES

Due in more than one year	<u>1,160,000</u>
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TOTAL LIABILITIES 1,354,116

NET POSITION

Invested in capital assets, net of related debt	91,412
Restricted - capital projects	202,889
Restricted - debt service	454,178
Unrestricted	<u>60,502</u>

TOTAL NET POSITION \$ 808,982

See independent auditors' report and accompanying notes to financial statements

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Expenses	Charges For Services	Net (Expenses) Revenues and Changes in Net Position
GOVERNMENTAL ACTIVITIES			
Drainage	\$ 88,696	\$ 12,400	\$ (76,296)
Interest and fiscal charges	<u>53,350</u>	<u>-</u>	<u>(53,350)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u><u>\$ 142,046</u></u>	<u><u>\$ 12,400</u></u>	(129,646)
GENERAL REVENUES			
Ad valorem tax			296,876
Interest income			<u>373</u>
TOTAL GENERAL REVENUES			<u>297,249</u>
CHANGE IN NET POSITION			167,603
NET POSITION - Beginning of year			<u>641,379</u>
NET POSITION - End of year			<u><u>\$ 808,982</u></u>

See independent auditors' report and accompanying notes to financial statements

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,403	\$ -	\$ -	\$ 5,403
Restricted cash	-	169,089	208,679	377,768
Ad valorem taxes receivable	-	285,089	-	285,089
TOTAL ASSETS	\$ 11,403	\$ 454,178	\$ 208,679	\$ 674,260
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts and retainage payable	\$ 903	\$ -	\$ 5,790	\$ 6,693
TOTAL LIABILITIES	903	-	5,790	6,693
FUND BALANCE				
Restricted for capital projects	-	-	202,889	202,889
Restricted for debt service	-	454,178	-	454,178
Unassigned	10,501	-	-	10,501
TOTAL FUND BALANCE	10,501	454,178	202,889	667,568
TOTAL LIABILITIES AND FUND BALANCE	\$ 11,403	\$ 454,178	\$ 208,679	\$ 674,260

See independent auditors' report and accompanying notes to financial statements

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	667,568
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Amounts reported for governmental activities in the statement of position are different because

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds

Governmental capital assets	1,666,052	
Less accumulated depreciation	<u>(227,217)</u>	1,438,835

Other assets used in governmental activities are not financial resources and therefore not reported in the funds

Debt service costs	100,000	
Less accumulated amortization	<u>(49,998)</u>	50,002

Debt used in governmental activities are not financial uses and therefore are not reported in the funds

Debt related to capital assets	(1,330,000)
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Accrued interest is not recorded in the governmental funds

	<u>(17,423)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES

	<u><u>\$ 808,982</u></u>
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See independent auditors' report and accompanying notes to financial statements

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Ad valorem tax	\$ -	\$ 296,876	\$ -	\$ 296,876
Interest and other income	12,419	213	142	12,773
Impact fee revenue	-	-	-	-
	<u>12,419</u>	<u>297,088</u>	<u>142</u>	<u>309,649</u>
EXPENDITURES				
General				
Compensation paid to board members	-	-	-	-
Engineering	3,860	-	-	3,860
Legal and professional	15,859	-	-	15,859
Miscellaneous expenses	150	-	-	150
Office expenditures	544	-	-	544
Debt service				
Principal	-	165,000	-	165,000
Interest and fiscal charge	-	55,511	-	55,511
Capital outlay	-	-	111,603	111,603
	<u>20,413</u>	<u>220,511</u>	<u>111,603</u>	<u>352,527</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,994)	76,577	(111,461)	(42,878)
INTERFUND TRANSFERS	3,500	-	(3,500)	-
NET CHANGE IN FUND BALANCE	(4,494)	76,577	(114,961)	(42,878)
FUND BALANCE - Beginning of year	14,995	377,601	317,850	710,446
FUND BALANCE - End of year	<u>\$ 10,501</u>	<u>\$ 454,178</u>	<u>\$ 202,889</u>	<u>\$ 667,568</u>

See independent auditors' report and accompanying notes to financial statements

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(42,878)
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Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. The entity is acquiring land which is not depreciable and land improvements which are depreciable. This is the amount by which depreciation expense exceeded capital outlays in the current period.		51,651
Governmental funds report principal portion of debt as expenditures. In the statement of activities, the principal portion of debt payment reduces the debt.		165,000
Governmental funds report debt service charges as expenditures. In the statement of activities, the debt service charges are capitalized and amortized over the life of the debt. This is the amount of amortization expense recognized in the statement of activities.		(8,333)
Governmental funds report all interest as an expenditure in the period paid, without regard to when the interest was incurred. In the statement of activities, the change in interest payable is recorded as an expenditure in the period incurred.		2,163
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>167,603</u>

See independent auditors' report and accompanying notes to financial statements

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St Tammany Parish Gravity Drainage District No 5 (the District) was created for the purpose of creating and maintaining drainage of the area within its boundaries in Western St Tammany Parish (the Parish). The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies:

Reporting Entity – The St Tammany Parish Gravity Drainage District No 5 was established by Louisiana Revised Statutes 38:1606 and Police Jury Ordinance PSS No 93-1792 on July 15, 1993. The District is governed by a Board of Commissioners, which is appointed by the St Tammany Parish Council (the Parish Council). The District consists of five commissioners who serve four-year terms.

As the governing authority of the Parish, for financial reporting purposes, the St Tammany Parish Council is the financial reporting entity for St Tammany Parish. The financial reporting entity consists of (a) the primary government (Parish Council), (b) organizations for which the primary governments are financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement (GASB) No 14 established criteria for determining which component units should be considered part of the St Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The Parish Council approves/appoints the members of the District's Board of Commissioners. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish Council, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

Basis of Presentation – The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999.

Government-Wide Financial Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District does not allocate indirect costs.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Separate financial statements are provided for the governmental funds.

Fund Financial Statements – The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are classified as governmental. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, deferred outflows, liabilities, deferred inflows revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

The District reports the following major governmental funds:

- ***General Fund*** – This fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.
- ***Debt Service Fund*** – This fund accounts for transactions relating to resources retained and used for the payment of principal and interest on long-term obligations.
- ***Capital Projects Fund*** – This fund accounts for financial resources received and used for the acquisition, construction or improvement of capital facilities not reported in other governmental funds.

Measurement Focus / Basis of Accounting – The amounts reflected in the governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. The District considers all revenues available if they are

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when due, and other claims, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income and changes in net position. All assets and liabilities (whether current or non-current) associated with their activities are reported.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Budgets and Budgetary Accounting – The District adopts an annual budget for the general fund as well as its other two funds. The budget is legally adopted and amended as necessary by the District. The general fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents and Investments – Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days, however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value.

Capital Assets – General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in the capital projects fund. All purchased fixed assets are valued at cost where historical records are available and at estimated historical costs where no historical records exist. Donated fixed assets, if any, are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Capital assets greater than \$25,000 and with a useful life greater than one year are capitalized. Land improvements are depreciated using the straight-line method over 25 years.

Pension Plan and Compensated Absences – There are no employees of the District. Accordingly, the District does not contribute to a pension plan and has no formal vacation and sick leave policy.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities' statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance – On January 1, 2011, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed the reporting of fund balance in the balance sheets of governmental type funds. In fund financials, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

- ***Nonspendable*** – This component consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- ***Restricted*** – This component consists of amounts that have constraints placed on them either externally by third-parties (bond creditors) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
- ***Committed*** – This component consists of the amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts.
- ***Assigned*** – This component consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.
- ***Unassigned*** – This component consists of amounts that have not been restricted, committed or assigned to specific purposes within the general fund. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) are available for use.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

The District has no nonspendable, committed, or assigned fund balances as of December 31, 2012

Net Position – On January 1, 2012, the District adopted GASB Statement No 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provided financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position. State and local governments enter into transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. GASB Statement No 63 requires that deferred outflows of resources should be reported in a statement of net position in a separate section following assets and deferred inflows of resources should be reported in a separate section following liabilities.

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position should be displayed in three components - *invested in capital assets, net of related debt* consisting of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets; *restricted* distinguishing between major categories of restrictions and consisting of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, and *unrestricted* consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of invested in capital assets, net of related debt or the restricted component of net position.

NOTE B – AD VALOREM TAXES

Ad valorem taxes are levied each November and billed in December. These taxes are due in January of the following year. Any unpaid taxes are collected in connection with an auction held in May. The Sheriff's department bills and collects the District's ad valorem taxes. Ad valorem taxes are levied based on property values determined by the St. Tammany Parish Assessor. All land and residential improvements are assessed at ten percent of its fair market value, and other property at fifteen percent of its fair market value.

The District's ad valorem tax revenues are recognized when levied to the extent that they are determined to be currently collectible.

The District is authorized to levy an ad valorem tax of 2.00 mills, commencing in 2011 and ending in the year 2019. The tax is to be used for the purpose of engineering, constructing, improving and maintaining gravity drainage within its boundaries within St. Tammany Parish and repayment of required bond amounts.

Allowance for Uncollectible Receivables – The District's primary revenue source, ad valorem taxes, becomes delinquent if not paid by March 1 following the year of assessment. Unpaid taxes attach as an enforceable lien of property. The Board of Commissioners determined, based on research of historical information, that current collections at year end December 31, 2012 are approximately 92.0% of the tax levy. At December 31, 2012, the amounts of estimated uncollectible receivables was \$21,992.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents (book balances) at December 31, 2012 of \$383,171 consisted of interest-bearing demand deposits. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances of \$383,239) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2012, deposits were entirely insured or collateralized with securities held by a mutually acceptable third party financial institution in the District's name, which is considered an investment credit risk as defined by the Governmental Accounting Standards Board.

NOTE D – CERTIFICATES OF INDEBTEDNESS

The District, pursuant to an election and authority granted by the State Bond Commission, was authorized to levy a tax of 2.00 mills for the period from 2011 through 2019. In November 2006, the District authorized the issuance of \$1,860,000 of General Obligation Refunding Bonds for the purpose of refunding \$1,760,000 of the District's outstanding Series 1999 General Obligation Bonds. The additional \$100,000 of indebtedness was for the payment of bond issuance costs, which was capitalized on the statement of net position, and amortized over the life of the new bonds beginning in 2007. These bond certificates mature on March 19, 2019 and bear interest at 3.93%.

The long-term debt outstanding as of December 31, 2012 for these bonds was \$1,160,000, and the current portion was \$170,000. For the year ended December 31, 2012, \$8,333 of bond issuance cost was amortized.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

The following is a summary of the Series 2006 certificates of indebtedness transactions of the District for the year ended December 31, 2012

Balance at January 1, 2012	\$ 1,495,000
Certificate issued	-
Principal payments	<u>(165,000)</u>
Balance at December 31, 2012	<u>\$ 1,330,000</u>

<u>Year Ending December 31,</u>	<u>Principal Due</u>	<u>Interest Due</u>
2013	170,000	48,929
2014	175,000	42,149
2015	185,000	35,075
2016	190,000	27,707
2017	195,000	20,142
2018-2019	<u>415,000</u>	<u>16,605</u>
Total	<u>\$ 1,330,000</u>	<u>\$ 190,607</u>

NOTE E -- CAPITAL ASSETS

The District purchases land for detention ponds and improves the property to aid in its drainage projects. During the years ended December 31, 2012 and 2011, the District incurred \$65,700 in land improvements for drainage projects. Additionally, the Covington Meadows Project was completed as of December 31, 2012. Therefore, all costs associated with this project were removed from construction in progress and included with land improvements for the year ended December 31, 2012.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 541,070	\$ -	\$ -	\$ 541,070
Construction in progress	<u>31,592</u>	<u>50,104</u>	<u>(4,200)</u>	<u>77,496</u>
Total capital assets not being depreciated	<u>572,662</u>	<u>50,104</u>	<u>(4,200)</u>	<u>618,566</u>
Capital assets being depreciated				
Land improvements	981,786	65,700	-	1,047,486
Less accumulated depreciation	<u>(167,265)</u>	<u>(59,952)</u>	<u>-</u>	<u>(227,217)</u>
Total capital assets being depreciated, net	<u>814,521</u>	<u>5,748</u>	<u>-</u>	<u>820,269</u>
Total capital assets, net	<u>\$ 1,387,183</u>	<u>\$ 55,852</u>	<u>\$ (4,200)</u>	<u>\$ 1,438,835</u>

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE F – CONCENTRATION OF REVENUES

Of the District's revenues, \$296,876 (99%), is obtained through a single source, ad valorem tax, for the year ended December 31, 2012

NOTE G – RELATED PARTY TRANSACTIONS

As per Louisiana Revised Statute 33 405(G), commissioners are entitled to receive \$30 for each board meeting attended, up to two meetings per month. The secretary/treasurer is entitled to receive \$50 per each board meeting attended, up to two meetings per month. For the year ended December 31, 2012, Board members elected not to receive any payments for attendance at meetings.

NOTE H – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 30, 2013, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) -
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>GENERAL FUND</u>			Variance
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	<u>Favorable</u>
	<u>Budget</u>	<u>Budget</u>		<u>(Unfavorable)</u>
REVENUES				
Interest and other income	\$ 13,100	\$ 12,415	\$ 12,419	\$ 4
Total revenues	13,100	12,415	12,419	4
EXPENDITURES				
Compensation paid to board members	500	-	-	-
Engineering	3,000	3,875	3,860	15
Legal and professional	6,200	15,860	15,859	1
Miscellaneous expenses	500	150	150	-
Office expenditures	800	550	544	6
Total expenditures	11,000	20,435	20,413	22
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	2,100	(8,020)	(7,994)	26
INTERFUND TRANSFERS	-	3,500	3,500	-
EXCESS (DEFICIENCY) OF REVENUES OVER				
EXPENDITURES AND OTHER SOURCES	\$ 2,100	\$ (4,520)	\$ (4,494)	\$ 26

See accompanying independent auditors' report

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
SCHEDULE OF COMPENSATION PAID TO THE
BOARD OF COMMISSIONERS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Board Member	Amount
Robert P. Bergeron, Chairman 70216 Carmel Road, Mandeville, LA 70471	\$ -0-
Martin W. Gould, Jr., Vice Chairman 300 Buckthorn Circle, Covington, LA 70433	\$ -0-
Majure B. Savell, Treasurer 104 Diana Court, Covington, LA 70433	\$ -0-
Thomas J. Laizer, Commissioner 21180 Soell Drive, Abita Springs, LA 70420	\$ -0-
Peter E. Persson, Commissioner 57 Walnut Place, Covington, LA 70433	\$ -0-

See accompanying independent auditors' report

OTHER INDEPENDENT AUDITORS' REPORT



Certified Public Accountants & Consultants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners
St. Tammany Parish Gravity Drainage District No. 5
Covington, LA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of St. Tammany Parish Gravity Drainage District No. 5, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise St. Tammany Parish Gravity Drainage District No. 5's basic financial statements, and have issued our report thereon dated May 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Tammany Parish Gravity Drainage District No. 5's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Tammany Parish Gravity Drainage District No. 5's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Tammany Parish Gravity Drainage District No. 5's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

May 30, 2013

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

SECTION I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued		Unqualified	
Internal control over financial reporting			
Material weaknesses identified?	_____ yes	<u> X </u>	no
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	<u> X </u>	no
Noncompliance material to financial statements noted?	_____ yes	<u> X </u>	no

Federal Awards

Internal control over major programs	
Material weaknesses identified?	<u> N/A </u>
Significant deficiencies identified not considered to be material weaknesses?	<u> N/A </u>
Type of auditors' report issued on compliance for major programs	<u> N/A </u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	<u> N/A </u>
Identification of major programs	<u> N/A </u>
Dollar threshold used to distinguish between Type A and Type B programs	<u> N/A </u>
Auditee qualified as low-risk audit?	<u> N/A </u>

SECTION II - Financial Statement Findings

None noted

SECTION III - Federal Award Findings and Questioned Costs

Not applicable

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings and Questioned Costs

Not applicable